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IN THE

Supreme Court of the United States

OCTOBER TERM, 1979

No. 79-669

DAWSON CHEMICAL COMPANY, CRYSTAL MANUFACTURING CORPORATION, AND CRYSTAL CHEMICAL COMPANY,
Petitioners,

v.

ROHM AND HAAS COMPANY,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Fifth Circuit

MOTION FOR LEAVE TO FILE BRIEF AND ANNEXED BRIEF ON BEHALF OF NATIONAL AGRICULTURAL CHEMICALS ASSOCIATION AS AMICUS CURIAE

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MOTION OF NATIONAL AGRICULTURAL CHEMICALS ASSOCIATION FOR LEAVE TO FILE A BRIEF AS AMICUS CURIAE

The National Agricultural Chemicals Association ("NACA") respectfully moves this Court for leave to file instanter the accompanying brief in this case as *amicus curiae*. The consent of the attorney for Respondent has been obtained, but the attorneys for the Petitioners have refused to consent to the filing of a brief by NACA. NACA's interest in the issue before the Court transcends the interests of the parties to this action. Two of the parties, Rohm and Haas Company, defendant-Respondent, and Helena Chemical Company, a prior plaintiff-Appellee, are both members of NACA. The position of NACA favors Respondent; the attorneys of record were so informed when their consent was sought.

The issue presented by this appeal is whether the owner of a use patent who makes, formulates and markets an unpatented, *non-staple* chemical as a formulated product, for use in the patented process, must license other formulators to sell the product for that use. The resolution of this issue will have significant impact on the introduction of new pesticides.

NACA is a non-profit membership corporation organized under the laws of Delaware in 1933 and incorporated in 1934. NACA is interested in advancing the level of public understanding of the value of pesticides in the production of food and fiber, in fostering legislation which will promote the safe and proper use of industry products, and in encouraging continuing research for new products. NACA member companies, about 120 in number, formulate, produce and sell most of the pesticides used for agricultural production in the United States.

Thirty to forty or more of these companies are engaged in research and development ("R&D") to meet the needs of the world's farmers for safe and effective pesticides.

The R&D efforts, germane to the issue before the Court, include experimentation with *known* chemicals, literally millions of which are reported in the literature. In chemical research, a new and commercially important result is not infrequently obtained by the use of chemical compounds which have previously existed but have not been put to any practical use. A new use for a known or obvious chemical is patentable as a process for using the chemical, for example as a selective herbicide to control weeds growing among crops; a patent directed to such a "process-use" invention is sometimes referred to as a "use patent".

The discovery that a chemical has valuable properties as an agricultural pesticide is a long and costly research process. Its commercialization requires further test and development work which includes the accumulation and submission of the mass of data required to obtain government agency approval prior to marketing such a product. The cost—both for the R&D and the mandatory testing for Environmental Protection Agency approval—is extraordinarily high.

The Court of Appeals below reversed a district court holding which would have required the compulsory licensing of the use patents directed to known non-staple chemicals. The district court decision, had it been affirmed, would have acted as an almost total disincentive to any future research with such chemicals. The farmer, and the consumer he serves, would have been deprived of valuable inventions useful for combating world food and pest problems.

Lest it be thought that the perceived threat to future development of agricultural chemicals protectible only by use patents is theoretical or insignificant, it should be pointed out that in 1972 about twenty (20) percent of the patented pesticides had only use patent protection.* Apparently, each of those was discovered to be

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* Of the current pesticides listed in Johnson, *Pesticide "72"*, Chemical Week, June 21, 1972, at 34, and July 26, 1972, at 18, some 208 are indicated as being patented in the United States; but 37 of those are covered only by patent claims directed to the *use* of the compound. Identification of the patents involved is found in the *Chemical Week* article and in British Crop Protection Council, *Pesticide Manual* (2d ed. 1971). Some of the compounds covered only by use patents include DCPA, Dacthal, dalapon, S,S,S-tributylphosphorothioite, dimethoate, diphenamid, S,S,S,-tributylphosphorotrithioate, 2,4-D, and CDAA; each sells over two *million pounds annually* (1971 figures) as reported in EPA's Technical Studies Report TS-00-72-04 (1972).

useful as a pesticide only after the compound was known or obvious to the art, whereby the compound *per se* was not patentable as a composition of matter. Had the disincentive of compulsory licensing been a factor when these products were developed, many would never have reached commercialization.

It is apparent that the legal question on appeal has significant public interest implications affecting far more businesses and people than the parties to the action. Members of NACA are not the only ones affected, but they constitute a significant portion of the group. NACA and its members are necessarily concerned with the possibility that some important aspect of the legal question before this Court might go unconsidered in the briefs and arguments presented by the parties. NACA, therefore, presents to the Court this earnest petition for leave to file the annexed brief *amicus curiae* instanter.

Respectfully submitted,

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BRIEF ON BEHALF OF THE NATIONAL AGRICULTURAL CHEMICALS ASSOCIATION AS AMICUS CURIAE

INTEREST OF AMICUS CURIAE

The National Agricultural Chemicals Association ("NACA") is a nonprofit membership corporation organized under the laws of the state of Delaware. NACA member companies include major producers and formulators of pesticides in the United States.

The character of NACA and its interest in the question of law presented on appeal is explained in its Motion for Leave to File a Brief as *Amicus Curiae,* to which this Brief is annexed.

STATEMENT OF THE ISSUE PRESENTED FOR REVIEW

The issue is whether the owner of a use patent who makes, formulates and markets an unpatented, *non-staple* chemical as a formulated product, for use in the patented process, must license other formulators to sell the product for that use.

STATEMENT OF THE CASE

The case was presented to the district court on the basis of stipulated facts, and counsel relies substantially on the statement of the case as set forth in the brief of Respondent, Rohm and Haas Company.

It is further noted that Respondent is engaged in the pesticide business and makes an unpatented chemical compound (designated "propanil"), formulates it and sells the propanil formulation for use pursuant to a patented process (method) by applying it to weeds and crops to destroy the weeds. The patent issued under the "process-use" class of inventions and is United States Patent No. 3,816,092 [hereafter the "Wilson Use Patent"]. Propanil is a non-staple compound and has no substantial use other than as a herbicide. Purchasers of Respondent's propanil formulations in this country are licensed by operation of law to use what they purchase according to the process of the Wilson Use Patent.

Propanil is the biologically active component of the compositions used in the practice of the Wilson Use Patent. Petitioner's conduct includes:

(1) Using non-staple propanil which they

(2) Mix or formulate with inert ingredients into a composition of such a nature that it will permit dilution with water by the farmer and application to the crops to be treated using conventional farming equipment,

(3) Knowing the same to be especially made for infringement of the Wilson Use Patent, particularly when

(4) The labelling accompanying the composition as sold contains

(5) Detailed instructions for use in a

(6) Growing weed infested agricultural crop (in this case rice),

(7) Knowing that under the provisions of the Federal Environmental Pesticide Control Act (FEPCA),[1] it is illegal for the purchaser of the composition to use the composition in a manner that is inconsistent with the labelling, and knowing that

(8) A purchaser, following these instructions, would

(9) Infringe the Wilson Use Patent.

Petitioners are continuing, and intend to continue, the making and/or selling and offering of propanil

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[1] Federal Environmental Pesticide Control Act, 7 U.S.C. § 136.

formulations for sale with the same recommendation and instructions. Petitioners Crystal and Helena conceded, at least for the purpose of the appeal below, that propanil is a non-staple article of commerce having no non-infringing use.

Thus, Petitioners' conduct completely parallels that of Respondent down to the explicit label instructions which teach the process-use invention of the Wilson Use Patent. Petitioners, in seeking a license from Respondent (shortly after the service of the original complaints in this action) demonstrated their desire to also pass on a license under the Wilson Use Patent to their customers.

SUMMARY OF ARGUMENT

Patents are granted for new and useful inventions which by statute must be unobvious to a person having ordinary skill in the art. They promote the progress of science and the useful arts.

Public policy underlies the grant of a patent since it is in the public interest to provide the incentive to expend the time and expense of pesticide research and development ("R&D") and commercialization, which includes accumulating a mass of data required to obtain the approval of government agencies, both state and federal.

Respondent is the owner of a patent directed to a process-use invention. It is in the pesticide business and is making available to the public the essentials (that is, the formulated, non-staple product together with the labelled instructions) required to practice the process-use invention.

The Fifth Circuit Court of Appeals upheld Respondent's statutory right to exclude infringers which is the very essence of its patent property right, including Respondent's election to preserve its exclusivity, by selling the non-staple propanil as a formulated product and refusing to license. This holding is in keeping with the relevant statutory provisions. Section 271 of United States Code, Title 35, must necessarily be construed in conjunction with the interrelationship of Sections 100(b), 101, 154, 281 and 283. This interrelationship makes it unequivocally clear that the patent owner of a use patent is entitled to a right to exclude within the scope of the patent grant and the relevant statutory provisions; this necessarily includes the right to refuse to license.

Appellant, in electing to preserve its right to exclude infringers, did only what it has a right to do, i.e., to sue infringers rather than license them, and accordingly, there cannot be misuse. Appellant at all times conducted itself within the confines of the relevant and interrelated statutory provisions. No basis for a holding of misuse has been established. The abrogation of this right to exclude, under the facts of this case, would be tantamount to compulsory licensing which is contrary to the public interest and in contravention of the patent laws and the Constitutional purpose.

ARGUMENT

I. THE PUBLIC POLICY CONSIDERATIONS

During the past quarter century of intensive organic chemical pesticide development, many products and product forms have been placed on the market. These include all types of chemicals, the principal

varieties being insecticides, fungicides, herbicides, plant growth regulators and some biological products. Modern food production programs are dependent upon the use of, and continual introduction of, new pest control agents.[2]

A. The Environment of the Invention—American Agriculture

It is believed that it would be helpful to this Court in their deliberations on the instant case, if the specific fact situation involved were viewed in the context of the total industry concerned,—viz., American agriculture. When so viewed, it will be apparent that the impact of the final result of this case will not be insignificant; it involves principles or matters of national interest.

American agriculture is today the envy of the world. This country has the ability to produce more agricultural products on less land at lower unit cost than any nation of the world. This is so because intensive and sophisticated technology is the driving force in agriculture—progress has been marked by one technological innovation after another, each bringing quantum leaps forward. Significant innovations have included the introduction of chemical fertilizers, the development of hybrid seeds, insecticides to prevent crop destruction by insects and herbicides to destroy weeds competing with crops for the available nutrients in the soil. None of these developments have come about in

[2] The character and operation of the pesticide industry is presented in A. Wechsler, J. Harrison and J. Neumeyer, *Evaluation of the Possible Impact of Pesticide Legislation on Research and Development Activities of Pesticide Manufacturers,* Environmental Protection Agency publication EPA-540/9-75-018 (1975) [hereinafter cited as *1975 EPA Report*].

an easy manner. Development takes years. A technological breakthrough in the laboratory has to be converted to economically feasible techniques, consistent with acceptable agricultural practices, while providing safety to the farmer in practicing the techniques and to the consumer of the crops flowing therefrom. In spite of the sophistication of today's agriculture in America, there is still much to be done. It would be against the interests of society to adopt a policy which would, in effect, contribute to the demise of further innovation.

The continuing expansion of world population is common knowledge. This country contributes handsomely to meeting the increasing worldwide need for food and fiber. In 1979, our exports of agricultural products amounted to $32 billion.[3] Agriculture is one of the most, if not the most, significant contributor to our balance of trade. Notwithstanding the present state and sophistication of our agriculture, there is still a growing need for increasing amounts of food and fiber. The only solution to this problem will be the continued development of new technology which hopefully will permit converting non-useable land into good farmland or, in the alternative or additionally, new technology to make existing land yield more.

Agricultural chemicals in general and pesticides in particular have been fully accepted and are widely utilized by the farmer. He recognizes that such chemicals, when properly used, are a proven means of increasing the agricultural yield of his land. However, two conditions must exist before the farmer will use

[3] World Agricultural Situation (WAS-21), at 40, U.S.D.A., Jan. 1980.

a particular pesticide. First, buying and using the pesticide must return him a profit. In other words, the value of increased crop production or decreased cost of production, realized by the use of the pesticide, must far exceed its cost. Second, the pesticide must be compatible with acceptable agricultural practices and equipment.

As any businessman, the farmer is always interested in keeping his costs as low as possible, particularly since he, as an individual, has no control over the selling price of major crops, such as rice. Neighboring farmers producing the same major crop do not enjoy different unit selling prices even though their unit costs may be different.

The real benefit to the farmer and to our national interests lies in continuing to maintain a competitive environment conducive to continuing innovative, high technology advancements in agriculture, thereby increasing the efficiency and productivity of both the land and the farmer. Using herbicides as a particular example, the ideal situation would be to reach the stage of technology that would permit total destruction of all competing weeds present in a particular crop. This ideal situation is yet to be realized. That this is so is seen by the fact that there are at least eight (8) rice herbicides, other than propanil, on the market today. The lowest possible price on existing pesticides can be best promoted by permitting the development of new and improved ones based on biologically active ingredients surpassing the performance of those we are aware of today.

In its totality, American agriculture embodies more than planting, growing and harvesting. While such

farmer activities are at the heart of American agriculture, this activity is facilitated and serviced by a number of support activities which have become individual, specialized industries in and of themselves which, together with the farmer himself, make up the total complex of American agriculture.

Chemical manufacturing companies produce the biologically active compounds required by the farmers. These same chemical companies, as well as independent formulators, convert these active ingredients into formulations useable by the farmer in accordance with his agricultural practices. Such materials are made convenient and accessible to the farmer through a large network of distributors and dealers.

Commercial applicators, both land based and aerial, supplement the farmer's own activities in properly using and applying the agricultural chemicals. Light and heavy equipment manufacturers provide the farmer with the mechanical tools needed in his activities. A complex distribution, storage and marketing system exists to facilitate bringing the agricultural products to the consumer. Technical guidance is made available to the farmer through universities and U.S. and State Departments of Agriculture by means of a network of experiment stations, strategically located, as well as County Agents having available the latest technical expertise to maximize agricultural production. While each of these activities is necessary and vital to the totality of American agriculture, they are nevertheless distinct, each embodying its own individual sphere of technical expertise.

Petitioners appear to have ignored this totality of American agriculture. Petitioners suggest that Re-

spondent, following the discovery, development, and patenting of a method of using a single, biologically active ingredient in the control of weeds in a growing crop, particularly rice, and now wishing to benefit from its invention and patent, has viable options to become a commercial applicator of pesticides or becoming rice farmers themselves; this is totally out of touch with reality.

There are approximately nine thousand individual rice farmers.[4] According to the National Aerial Applicators Association, Washington, D.C., there are three thousand aerial applicators, and 8,600 aircraft used in aerial applications.[5] Suggesting that the benefits of this invention might be pursued through attempting to involve approximately nine thousand individual rice farmers and/or three thousand aerial applicators in an *express* licensing program is not practical. When viewed from the standpoint of agriculture, the program adopted by the Respondent to make propanil available to the farmer is without question the simplest and most convenient way for *agriculture* to benefit from the invention made by the Respondent.

B. The Time and Expense of Pesticide R&D and Commercialization

Any chemical which a pesticide developer hopes to commercialize must not only be effective in solving a problem confronting the farmer (and do it economically); but it also must do so safely. Many stages are involved in the development and commercialization.

[4] 1974 Census of Agriculture, Vol. 1, Part 51, U.S.D.A.

[5] *Agricultural Aviation Study and Program Plan*, Vol. II, Supplemental Information, National Aeronautics and Space Administration, Office of Aeronautics and Space Technology, June 9, 1976.

The first basic stage of chemical pesticide research is directed to identifying compounds which might solve a particular problem in agriculture; the second basic stage is directed to determining the safety of the compound towards man and his environment, as well as the efficacy of the product for the intended use. There can be no commercial sale of an agricultural chemical until it is registered with the Environmental Protection Agency ("EPA"), and the chemical cannot be registered until the required data with respect to efficacy, environmental impact, residue, metabolism, etc., have been submitted and EPA has approved the label petition.

An appreciation of the stages and sub-stages involved accentuates the high risk and high cost involved in the research, development and commercialization of pesticides. The extremely poor success experience in the development of pesticides is a significant part of the high risk factor involved. For instance, smaller companies usually purchase compounds which are rejected by multi-product companies and screen them for pesticidal activity; whereas multi-product companies have a dual approach to the synthesis/screening process, *i.e.*, they screen chemicals synthesized in non-pesticidal areas of their companies as well as chemicals synthesized by chemists whose main function is to look for chemicals having biological activity.[6] The first approach, called the "shotgun" method, has a success-to-failure ratio of 1 to 30,000.[7] Although no statistics are available relating to the second approach, the over-

[6] *1975 EPA Report* at 28.

[7] *Id.* at 29.

all average is 1 to 7000 (i.e., 7000 compounds are screened for every successful product).[8]

In the case of herbicides, the first stage not only includes primary screening, but also secondary and tertiary screenings. In the primary screening, the compound is applied to (a) specially selected weeds and other plants grown in the greenhouse and/or (b) pans containing seeds of such plants in soil. Secondary and tertiary screenings involve similar activity with a more rigorous examination under other conditions, such as a greater variety of plants, various rates of application, various concentrations of the test chemical, etc. Only about ten percent (10%) of the compounds tested pass primary screening, and the entire screening process normally takes three to four months.

Candidate compounds showing promise at this stage are then synthesized in larger amounts for initial toxicology studies. The toxicology studies involve oral and topical tests on laboratory animals and take about four months. Candidate compounds will be dropped at this stage if toxicology studies so indicate, or if cost studies indicate that the compound will not be cost-competitive.

Small plot field testing follows to determine what effect the weather and other environmental factors will have on the candidate compound's performance. One of the purposes of small plot field testing is to develop metabolism and residue data needed for an experimental use permit, *i.e.*, data which will show the extent to which the candidate compound or any metabolite (decomposition product) thereof remains in the soil,

[8] *Id.*

in the water or in the crop itself. These data, together with the toxicology data and the efficacy data, are an integral part of the EPA experimental use permit application. This may involve several years of field tests before sufficient data can be generated to allow a conclusion to be reached as to whether or not an "experimental use permit" from the EPA should be sought to allow full-scale field tests to be conducted. Such permits are sought in only about one in ten cases.

Large scale field testing under the EPA experimental use permit must be pursued through a minimum of two growing seasons (usually about two years). In the meantime, further, more extensive toxicological testing and environmental testing is taking place. The combined effort may consume another three years, especially in view of the new EPA regulations regarding two year feeding studies for toxicology data. Compiling the information, preparing the petition for the full-label registration and obtaining EPA approval adds two more years to the process.

The time periods involved are significant. While there are separate time periods for each of the various stages of the R&D process, the *1975 EPA Report* indicates that the average duration for this process was "7 years between the years 1965 and 1975;"[9] whereas industry estimates projected it at 8.1 years.[10]

Moreover, the foregoing does not include the additional time required to develop a process, or the design, construction and start-up of a commercial plant to produce the pesticide product. These time periods

[9] *Id.* at 40.

[10] *Id.* at 45.

vary depending upon whether a company decides to start construction before label registration or waits until reasonable assurance regarding registration is received; this decision is usually dictated by the magnitude of the capital expenditure (as much as 20-30 million dollars).[11]

The 1974 estimated average cost per successful compound (including rejected compounds) was 7.4 million dollars [12] and is conservatively up to $15 million dollars or more today in view of inflationary factors and more stringent EPA regulatory requirements.

The *1975 EPA Report* indicates that the recommended minimum for entering this field as of February, 1975 (starting from scratch) was:

> $7 million to develop the first pesticide and a total of $50 million to commercialize the first successful product to the point of obtaining significant return on investment; 10 years of "dry time" until a return is seen on the investment. This includes discovery, testing, registration, plant construction, and initial marketing efforts.[13]

Not all failures are eliminated in the research process. The report also points up the risks involved in the development process:

> Most companies indicate that the difficulty in making market projections so far in advance (because of the long registration process) compounds the risk involved in a "go-ahead" decision on a pesticide product. Some companies plan to make that decision within the first two years of the development of a pesticide so that they can obtain commitments from raw material suppliers. Therefore, the companies have to anticipate market factors 6-8 years in advance.[14]

[11] *Id.* at 34.

[12] *Id.* at 35.

[13] *Id.* at 20.

The risks are multiplied in that the increasing amount of time required to develop and clear pesticides correspondingly decreases the seventeen-year period of patent protection. Some estimates project the average life of a pesticide at about 10 years, during which time safe, cheaper, and more effective competitive products are developed.[15] There are at least eight rice herbicides, other than propanil, on the market.[16]

It is to be emphasized that there are very few options in the foregoing development program; the extent and nature of the development program is mandated by regulations issued by the Environmental Protection Agency as a result of FEPCA. In accordance with the provisions of FEPCA, the label on the product has to be approved by and registered with the Environmental Protection Agency. The label must contain explicit instructions as to how the farmer is to use the product. The extensive development program outlined above has for its purpose that of establishing this method of use and assuring safety to man and the environment when so used. Consistent with this concept, the provisions of FEPCA make it illegal for a pesticide to be used in a manner that is inconsistent with the label.

[14] *Id.* at 22.

[15] R. Ouellette and J. King, *Chemical Week Pesticides Register* 117 (1977).

[16] R. Smith, J. Baker, D. Bowman and A. Klosterboer, *Southern Weed Science Society Research Report(s)* at 61 (1977), 97 (1976), 97 (1975), 78 (1974), and at 85 (1973).

If the farmer is to be expected to purchase and use the newly developed pesticide, it has to be in a form useable by him in accordance with agricultural techniques with which he is totally familiar. Infringement of the Wilson Use Patent is completed by merely diluting with water and spraying either Petitioners' or Respondent's product on a rice field as taught by their respective labels. Dilution and spraying is an ordinary, commonly practiced agricultural technique. Petitioners are only one ordinary step removed from directly infringing the Wilson Use Patent themselves. Petitioners have appropriated every facet of the inventive concept developed and patented by the Respondent.

C. The Incentive of Return on Investment Versus Disincentive of Compulsory Licensing

National goals of ensuring an adequate supply of food, feed and fiber, and of disease prevention and control, have benefited greatly from the development, production, and use of pest control methods.[17] Industry, the principal innovator and developer of pest control methods, feels that existing economic, technical, and regulatory barriers can significantly inhibit the development of new pest control products.[18] The pesticide industry relies heavily on the patent system, particularly the right to exclude infringers which is provided by the patent grant, to justify the high risk involved in its research, development and commercialization programs.

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[17] Arthur D. Little, Inc., *A Study of Incentives in Pest Control* (1976) (Prepared under an Environmental Protection Agency contract).

[18] *Id.* at 1.

NACA believes that the public is best served by having the greatest number and variety of pesticides available. Unless the judgment below is affirmed, there will be a tremendous negative impact on attaining such goals by discouraging future R&D efforts in the pesticide industry. The foregoing analysis of the R&D process shows that not every compound having significant activity can be carried through the complete evaluation process. Unless the judgment below is affirmed by this Court, there will be a significant negative impact on the decision making as to what compounds are carried forward in the advanced stages of the R&D process. The *1975 EPA Report* indicates that patent protection is usually initiated after secondary or tertiary screening has taken place.[19] Therefore, a decision as to patentability is usually made at this juncture. If the decision below is not upheld, the impact will be that only compounds capable of being protected by composition of matter patents, as opposed to use patents, will be carried forward. The success-to-failure ratio, currently 1 in 7000, will increase many times over if *only new* compounds (capable of being protected by composition of matter patents) proceed through further evaluation. Moreover, it is obviously more costly to synthesize new compounds and test them, than to test old compounds already known in the literature.

If it comes to pass that the continued future development of new and beneficial agricultural chemicals will be limited to those capable of being protected by patents directed only to a composition of matter *per se,* the problems associated therewith cannot be overemphasized. Predicting whether a particular product is

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[19] *1975 EPA Report* at 31.

patentable as a composition of matter *per se* is rarely a black or white decision. While the determination of the patentability of a new and unexpected use of a compound is not without its difficulties, the probability of an accurate prediction of patentability in such a case is several orders of magnitude more certain than predicting the patentability of a new compound as a composition of matter *per se*.

D. Failure of This Court to Affirm the Holding of the Court of Appeals Would Practically Eliminate Pesticide R&D and Commercialization With Known, *Non-staple* Chemicals

Under the decision of the district court, "the patent owner marketing unpatented, *non-staple* components of his *combination patent* [20] . . . [*must*] *first offer licenses* to others marketing that component *before it seeks equitable relief* for contributory infringement".[21] (Emphasis added). This holding, which was reversed by the Court of Appeals, would have compelled the patent owner of a use patent to license it as a precondition to enforcing it—a novel legal proposition.

Compulsory licensing is "a most serious inroad on patent rights." [22] Harvard economist Jesse W. Mark-

[20] The district court throughout its opinion refers to "a combination patent," which is *not* here involved. A *process* for the use of non-staple propanil *is* involved; that is, a process for using ("process-use") propanil as an herbicide.

[21] *Rohm and Haas Co.* v. *Dawson Chemical Co.*, 191 U.S.P.Q. 691, 708, n. 20 (S.D. Tex. 1976).

[22] *Compulsory Patent Licensing Under Antitrust Judgments: Staff Rep. on S. Res. 240,* Subcomm. on Patents, Trademarks and Copyrights of the Senate Comm. on the Judiciary, 86th Cong., 2d Sess. 3 (1960).

ham recently analyzed the effect of compulsory licensing on private sector R&D:

> It is generally agreed that mandatory licensing, by reducing the perceived value of commercially successful R&D, reduces the probable returns to R&D investment. . . .
>
> Since mandatory licensing at a reasonable royalty implies a reduction in the prospective returns on patents, the logical prediction is that it will have at least one of the following several effects:
> . . . .
>
> 2. It will reduce investment in R&D. . . . It is a basic tenet of economic theory that when the expected rate of return on a particular activity is suppressed, the ROI [return on investment] on other activities remaining the same, investment funds will be reallocated away from that activity and into others.[23]

Should the holding of the district court below become the settled law, NACA members will reorganize their approaches to R&D. Many will conclude that future R&D efforts should be limited to *new* chemical compounds, which can be *completely* protected, *i.e.*, made the subject not only of use patents, but of composition of matter patents as well. The latter unquestionably provide the discoverer with the right to refuse licenses to those who purchase the compound from unlicensed competitors.

This restriction of pesticide R&D activities would be most unfortunate for the public. There are vast num-

[23] J. Markham, *Patenting and Licensing Policy and Private Sector Participation in Energy Research and Development* App. 2-3 (1977) (Prepared under an Energy Research and Development Administration contract).

bers of known chemical compounds in the chemical literature of the last 100 years or so. The option of obtaining answers to some of the vexing pest control problems that confront today's farmers by probing and screening among them would be eliminated for all practical purposes. Most of these compounds would be destined to remain laboratory curiosities of no known use.

II. RESPONDENT'S ELECTION TO PRESERVE ITS RIGHT TO EXCLUDE IS EXPRESSLY SANCTIONED BY THE INTERRELATIONSHIP OF THE PATENT LAWS IN CONSONANCE WITH THE CONSTITUTIONAL PROVISION

A. The Right to Exclude Provisions

The Constitutional provision is the foundation for the United States Patent System.[24] There are two main aspects: the securing to inventors for a *limited time* the *exclusive right* to their inventions—the incentive aspect—in return for the *disclosure* of the invention to the public—the disclosure aspect.[25] Section 154 of Title 35, U.S.C., grants to the patentee or his assigns, the *right to exclude others, i.e.,* infringers, from making, using, or selling the patented invention for seventeen years.[26] Every patent grant provides this time-limited

[24] U.S. Const. art I, § 8: "The Congress shall have power . . . To promote the progress of science and useful arts, by securing for limited times to . . . inventors the exclusive right to their respective . . . discoveries."

[25] 35 U.S.C. § 112.

[26] 35 U.S.C. § 154, in pertinent part, reads: "Every patent *shall contain* . . . a grant to the patentee, his heirs or assigns, for the term of seventeen years, . . . of the *right to exclude others* from making, using, or selling the invention throughout the United States. . . ." (Emphasis added.)

right to exclude. The public interest is premised on this right, which provides: (a) incentive to invent; (b) incentive to disclose; (c) incentive to "invent around" and produce "alternative or competing inventions," and (d) incentive to provide risk capital to develop and commercialize inventions. Section 261 of Title 35 gives patents—*i.e.,* the patent right to exclude—"the attributes of personal property."[27]

B. The Statutory Classes of Inventions

Section 101 establishes the classes or categories of inventions which may be patentable; Section 100(b) further elaborates on these classes. They include a class for composition of matter inventions and a class for process-use inventions.[28] These two classes are germane to the issue before the Court.

Two patents, one in each of these classes, were issued. Respondent and Monsanto Company, independent of each other and in confidence, synthesized propanil and discovered its biological activity. Both Respondent and Monsanto thought the product to be patentable as a composition of matter *per se.* A patent, United States Patent No. 3,382,280 [hereinafter the "P-Compound Patent"], was issued to Monsanto Company claiming propanil as a composition of matter *per se.* However, in subsequent litigation between the

[27] 35 U.S.C. § 261, 1st para., reads: "Subject to the provisions of this title, patents shall have the attributes of personal property."

[28] 35 U.S.C. § 100(b), in pertinent part, reads: "The term 'process' . . . includes a new use of a known . . . composition of matter. . . ." Section 101, in pertinent part, reads: "Whoever invents . . . any process . . . or composition of matter . . . may obtain a patent. . . ."

two parties, the patent was held to be invalid. Propanil was held to be not patentable as a composition of matter *per se* because it did not meet the "conditions for patentability" in that it was held to be implicit in the prior art. However, the *use* of propanil is patented and is the subject of the "Wilson Use Patent" in issue before the Court.

C. The Purpose of Use Patents, the Invention Provisions and the Disclosure Provision

The patentability of a process for a new *use* for a known composition of matter (*e.g.*, a chemical compound) was clarified and defined in Section 100(b), a new statutory provision in the 1952 Patent Act. Such processes must meet the conditions for patentability.[29] These conditions are set forth by the "invention provisions", *i.e.*, Sections 102 and 103,[30] to determine whether the contribution of an alleged invention merits a patent. Further, there are "disclosure provisions" imposed on the applicant for a patent, *i.e.*, that the applicant disclose his invention in terms *which enable a skilled person to practice the invention.*[31]

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[29] H. R. Rep. No. 1923, 82d Cong., 2d Sess., Revision Notes at 17, *reprinted in* [1952] U.S. Code Cong. & Ad. News, 2394, 2410 [hereinafter cited as *H. R. Rep. No. 1923*].

[30] 35 U.S.C. § 102 and § 103 are directed to the conditions for patentability: novelty and loss of the right to a patent (§ 102) and non-obvious subject matter (§ 103).

[31] This is frequently referred to as the "*quid pro quo*" for the grant to a patentee of the right to exclude others, only for seventeen years, under 35 U.S.C. § 154. 35 U.S.C. § 112, 1st para., reads:

> The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

One of the draftsmen of the 1952 Patent Act explained that Section 100(b) "recognizes that a new use *is patentable* thereby clarifying the law and practice of the Patent Office on this point."[32] (Emphasis added). It defines the use class invention as a "process." Claim 1 of the Wilson Use Patent is illustrative of the subject and scope of a patent which is directed to such a process-use invention.[33]

The effect of the final decree holding the P-Compound Patent invalid is to give propanil the legal status of other chemical compounds which are unpatentable as compounds *per se*. Anyone is free to make, use or sell propanil for other uses, when such uses become available, other than the use covered by the Wilson Use Patent. In fact, anyone may even obtain other "use patents" directed to other new and unobvious uses of propanil in other process-use inventions. Moreover, anyone is free to make propanil in the United States and export it to countries where it is not covered by patent rights in force.

The net result is that the owner of the Wilson Use Patent has the right to exclude others from the "proc-

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[32] Zinn, *Commentary on New Title 35, U.S. Code "Patents"*, [1952] U.S. Code Cong. & Ad. News 2507, 2512.

[33] Claim 1 of the Wilson Use Patent reads:

> A method of selectively inhibiting growth of undesirable plants in an area containing growing undesirable plants in an established crop, which comprises applying to said area 3,4-dichloropropionanilide [propanil] at a rate of application which inhibits growth of said undesirable plants and which does not adversely affect the growth of said established crop.

ess-use" invention. The specific purpose of Section 100(b) was to clarify and define that an inventor can obtain a use patent for a process-use invention; this section is interrelated with Section 271, as is discussed *infra.*

D. The Infringement Definitions and the Contributory Infringement Concept

Section 271 [34] defines how and when a patent is infringed, *i.e.,* when there is a violation of the patent grant. Paragraphs (b) and (c) concern indirect infringement and are germane to the present issue. Paragraph (b) is directed to the "inducement" of infringement; paragraph (c) to "contributory infringement."

[34] 35 U.S.C. § 271 reads:

(a) Except as otherwise provided in this title, whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent.

(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

(c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement.

A significant distinction must be noted: paragraph (b) is silent on whether a staple or non-staple component is involved; paragraph (c) specifically requires that it be a non-staple. *A non-staple is involved in this case.*

Some background on the development of contributory infringement doctrine will aid in its understanding. Contributory infringement is an expression of the common law doctrine of joint tortfeasors.[35] Mr. Justice Frankfurter called it "an expression of both law and morals," and said it "is accredited by legal history as well as ethics." [36] Judge Taft said: "If this healthful rule is not to apply to trespass upon patent property, then, indeed, the protection which is promised by the constitution and laws of the United States to inventors is a poor sham." [37] The House Committee Report on the 1952 Patent Act states the intention to clarify the doctrine of contributory infringement:

> One who makes a special device constituting the heart of a patented machine and supplies it to others with directions (specific or implied) to complete the machine is obviously appropriating the benefit of the patented invention. It is for this reason that the doctrine of contributory infringement, which prevents appropriating another man's patented invention, has been characterized as "an expression both of law and morals." Considerable doubt and confusion as to the scope of contributory infringement has resulted from a number of decisions of the Courts in recent years. The purpose of this section is to codify in statu-

[35] 52 Am. Jur. *Torts* § 114 (1944).

[36] *Mercoid Corp.* v. *Mid-Continent Inv. Co.,* 320 U.S. 661, 677, 678 (1944) (Frankfurter, J., dissenting).

[37] *Thomson-Houston Electric Co.* v. *Ohio Brass Co.,* 80 F. 712, 721 (6th Cir. 1897).

tory form principles of contributory infringement and at the same time *eliminate this doubt and confusion.*[38] (Emphasis added).

Clearly, the doctrine of contributory infringement was developed by the courts to enable the patent owner to realize the benefit of his patent under circumstances where it is impractical for him to pursue direct infringers.

E. Section 271, Paragraph (d), and Misuse

Paragraph (d) is significant because not only does it apply to conduct on the part of Respondent, it specifically establishes that certain conduct is proper. A note in the House Judiciary Committee report says that both paragraphs (b) and (c) of 35 U.S.C. § 271 "define and limit contributory infringement of a patent

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[38] *H. R. Rep. No. 1923* at 9; [1952] U.S. Code Cong. & Ad. News at 2402. The hearings on the 1952 Patent Act clearly demonstrated that Congress grasped the significance of their action. For example, Congressman Rogers (Colorado) summarized:

> Then in effect this recodification, particularly as to section . . . [271], would point out to the [Supreme] court, at least that we remove this question of confusion as to whether contributory infringement existed at all, and state in positive law that there is such a thing as contributory infringement, or at least it be the sense of Congress by the enactment of this law that *if you have in the Mercoid case done away with contributory infringement, then we reinstate it as a matter of substantive law* of the United States and that you shall hereafter in a proper case recognize or hold liable one who has contributed to the infringement of a patent.
>
> That is the substantive law that we would write if we adopted this section. . . . [Emphasis added]

Patent Law Codification and Revision: Hearings on H. R. 3760 Before Subcomm. No. 3 of the House Comm. on the Judiciary, 82d Cong., 1st Sess. at 159 (1951) [hereinafter cited as *1952 Patent Act Hearings*].

and paragraph (d) is *ancillary to these paragraphs.*"[39] (Emphasis added). Therefore, paragraph (d) supports Respondent's conduct. In the words of the Judiciary Committee Report:

> *[O]ne who merely does what he is authorized to do by statute is not guilty of misuse of the patent.*[40] (Emphasis added).

The reference to statutory authority includes the full legal implications of paragraphs (b) and (c). Paragraph (d) insures that the doctrine of patent misuse is not employed to make a "poor sham" of the patent grant.[41] It was enacted expressly to indicate clear Congressional intent on the subject of the doctrine of contributory infringement.

III. THE INTERRELATIONSHIP OF THE RELEVANT STATUTORY PROVISIONS SHOWS THAT THERE IS NO MISUSE; RESPONDENT IS ENTITLED TO EXCLUDE INFRINGERS

A. Respondent's Conduct, In Refusing to License, Is in Consonance With the Wilson Use Patent Rights

Respondent's conduct must necessarily be considered with respect to the interrelationship of Section 271 with the other relevant statutory provisions; when that is done, Respondent's conduct is seen to be within

(1) the scope of the patent (the Wilson Use Patent) granted to it on its process-use invention, a class of in-

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[39] *H.R. Report No. 1923* at 28; [1952] U.S. Code Cong. & Ad. News at 2421.

[40] *Id.* at 9; [1952] U.S. Code Cong. & Ad. News at 2402.

[41] *See* note 37, *supra.*

vention specifically recognized by 35 U.S.C. § 100(b) and § 101;[42]

(2) the provision providing exclusivity in 35 U.S.C. § 154;[43]

(3) the provision providing for remedy in 35 U.S.C. § 281 as a result of infringement;[44]

(4) the provision providing for injunctive relief under 35 U.S.C. § 283;[45] and

(5) the provisions in 35 U.S.C. § 271(b), (c), and (d) providing relief for the patentee against infringers and contributory infringers and protection against misuse.

A basic rule of statutory construction requires that the various portions of a statute be read together. *Richards* v. *United States,* 369 U.S. 1 (1962); *Saxon* v. *Georgia Ass'n of Independent Ins. Agents,* 399 F.2d 1010, 1013 (5th Cir. 1968); *American Standard, Inc.* v. *Crane Co.,* 510 F.2d 1043 (2d Cir. 1974), *cert. denied,* 421 U.S. 1000 (1975). The interrelationship of 35 U.S.C. § 100 (b), § 101 and § 271 was seen by a principal draftsman of these sections when he hypothesized in 1948 about the very situation now before this court:

> In chemical research, a new and commercially important result is not infrequently obtained by the use of chemical compounds which have previously existed but have not been put to any practical use. A chemist seeking to solve some practical problem may discover that the result which he is seeking may be achieved by the use of a chemical compound which has a peculiar property not previously suspected. The practical importance of his discovery, and the practical advance which he has made in the art, are not affected by the question of whether or not the required chemical compound had previously been made. . . . *the patent which he obtains must be in the form of a process or method.*
> . . . .

Under the recent Supreme Court decisions [*Mercoid* and its predecessors], new-use inventions which are most widely used, and therefore most important, are, as a practical matter, placed outside the protection of the patent law. The decisions prevent the patentee from obtaining relief against the person who is guilty of causing infringement of the patent and leave him only the right to recover against innocent members of the public who have been induced to use the patented process. *Thus, the effect of the decisions is to protect the guilty and encourage suits against the innocent.* As a practical matter, no patentee can afford to attempt to protect [sic] his invention by suing all the innocent members of the public who have been induced to use it. Thus, those who have made new-use inventions receive no reward for the advance which they have made in the art, and

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[42] The interrelationship between Sections 100(b) and 101 of United States Code, Title 35 is discussed in Section II.B. of this Brief, *supra.*

[43] *See* notes 24 and 26, *supra,* and the related text.

[44] Section 281 establishes the remedy for infringement of a patent. It provides that "[a] patentee shall have remedy by civil action for infringement of his patent." Appellant initiated this civil action under 35 U.S.C. § 271(b) and (c) due to infringement by Appellees.

[45] Section 283 provides for injunctive relief "in accordance with the principles of equity to prevent the violation of any right secured by patent . . ." The right to exclude is such a right, and Appellant seeks just such injunctive relief—a relief to which it is entitled, as a matter of right under the patent grant.

> the stimulus of the patent system is withdrawn from this class of inventions.[46] (Emphasis added)

The Fourth Circuit Court of Appeals in *Rohm & Haas Co. v. Roberts Chemicals, Inc.*, 245 F.2d 693, 699 (4th Cir. 1957), perceived this interrelationship and made these observations regarding the 1952 Act:

> *Section 100* of the new Act modifies the old rule as to the patentability of a new use of an old product by providing that the term "process" includes a new use of a known . . . composition of matter. . . . The result is that one who invents . . . such [a] process may obtain a patent therefore under . . . § 101.
>
> *Section 271* of the statute re-enacts the rule that whoever sells a component . . . for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or adapted for use in infringement of the patent, is liable as a contributory infringer; *but the rule is limited to a material which is not a staple article or commodity of commerce.*[47] (Emphasis added.)

[46] This statement was made at *Contributory Infringement of Patents—Definition of Invention: Hearings on H. R. 5988, H. R. 4061 and H. R. 5248*, Before Subcomm. on Patents, Trademarks and Copyrights of the House Comm. on the Judiciary, 80th Cong., 2d Sess. 5 (1948), in which the language (also drafted by Judge Rich) was essentially the same as that adopted in the 1952 Patent Act. These prior hearings, which provided a basis for the inclusion of Section 271 in the 1952 Act, are referenced several times during the *1952 Patent Act Hearings* at, *e.g.*, 141, 151 and 162.

[47] The non-staple article, which was perceived by the Fourth Circuit, is a specific requirement of Section 271(c).

When applied to the case before this Court, this interrelationship shows that Appellant's conduct is in accordance with the statutory provisions.

B. There Is No Duty to License and the Right to Refuse to License Is Essential If Incentive Is To Be Maintained

The law imposes no duty on the part of the Respondent to license; but rather makes it clear that Respondent has the right to reserve—exclusively to itself, if it chooses—the rights to its invention. That is the essence of the patent right. *Cataphote Corp.* v. *DeSoto Chemical Coatings, Inc.*, 450 F.2d 769, 774 (9th Cir. 1971), *cert. denied*, 408 U.S. 929 (1972); *Cf. Continental Paper Bag Co.* v. *Eastern Paper Bag Co.*, 210 U.S. 405 (1908). Since the patent grant provides the right to exclude infringers, this refusal is within the patent right, as is the incentive aspect.[48] Otherwise competitors would be encouraged to wait for others to make the expenditure of effort and money to invent and then copy—*i.e.*, "take a free-ride," adopting a "lie back and wait" attitude, hoping to take advantage of accessibility to the invention by payment of a "reasonable" royalty.

The view of the Department of Justice, that licenses must be granted at the moment the use patent owner decides to market the unpatented chemical, is egregious. At this point, the innovation process is complete; all risks associated with the marketing of a chemical have been thoroughly evaluated (*e.g.* toxicology, residue, metabolism, environmental and efficacy tests). The "free-riders" will be content to sit idly by and

[48] For a greater appreciation of the incentive the patent grant fosters, *see* Section I.B. of this Brief, *supra*.

wait for chemical manufacturers to engage in the high technology research necessary to identify new chemicals and assume the risk of bringing such products to the marketplace. Once the "free-riders" are convinced that the market exists for the new chemical, all they need to do is request a license.

It is not in the public interest to encourage "free-riding." It would discourage invention and disclosure when only use patent protection is possible. One of the principal draftsmen has noted that:

> [T]he purpose of Section 271 . . . is to afford adequate protection to valid patents against those who are clearly seeking to benefit from piracy, especially in situations where enforcement against direct infringers is impractical.[49]

Indeed, the purpose of Section 271 is to maintain the incentives of the patent system in a practical manner in real-world situations.

C. Petitioners' Conduct Dictated Respondent's Action to Exercise Its Right to Exclude Infringers

In the exercise of its right to exclude infringers, Respondent refused to license and elected to enforce its patent rights against infringement or contributory infringement in accordance with 35 U.S.C. §271(d)(3),[50] which, as previously noted, is interrelated with 35 U.S.C. § 154, § 281 and § 283.

The exercise by Respondent, of the right to exclude Petitioners—the infringers—was called for under the

[49] Rich, *Infringement under Section 271 of the Patent Act of 1952*, 35 J.Pat.Off.Soc. 476, 497 (1953).

[50] *See* note 34, *supra*.

facts previously set forth, and especially, the application of these facts to 35 U.S.C. § 271(b) and (c).[51] These facts show applicability of the provisions of 35 U.S.C. § 271, both paragraphs (b) and (c), to the sale of a formulation of a *non-staple* chemical made *and labelled* with detailed and explicit instructions to purchasers of it which would insure the infringement of the Wilson Use Patent.

An analysis of the interrelationship of these relevant statutory provisions and the facts in this case clearly show that Respondent was at all times strictly within the confines of these relevant statutory provisions; therefore, misuse is simply absent.

IV. THE NON-STAPLE CHEMICAL: CONGRESS CLEARLY INTENDED TO VALIDATE RESPONDENT'S CONDUCT IN THIS CASE

A. This Court's Own Opinions Suggest That Section 271 Was Intended by the Congress to Provide a Clear Remedy for Contributory Infringement and to Limit the Application of the Misuse Doctrine

In *United States* v. *Dubilier Condenser Corp.*, 289 U.S. 178, 198 (1933), a case involving the public policy involved in a dispute over the title of a government-developed invention, the Court stated:

> The courts ought not to declare any such policy; its formulation belongs solely to the Congress. . . .
>
> These are not legal questions, which courts are competent to answer. They are practical questions, and the decisions as to what will accomplish the greatest good for the inventor, the government, and the public, rests with the Congress. *We should not read into the patent law limitations and con-*

[51] *See* Statement of the Case, *supra*, and note 34, *supra*.

> *ditions which the Legislature has not expressed.* (Emphasis added).

The limitation which *Mercoid Corp.* v. *Midcontinent Investment Co.,* 320 U.S. 661 (1944), placed on the remedy of contributory infringement, and particularly the comment therein "what residuum exists we need not determine at this time", was largely responsible for the enactment by the Congress of Section 271 in the 1952 Patent Act. 320 U.S. at 669. This Court has also recognized, in the only cases relevant to Section 271, that the clear intent of Congress was to reverse the *Mercoid* rulings where contributory infringement was the necessary result of an unlicensed sale of an unpatented part of the invention. In his dissenting opinion in the first *Aro* case, *Aro Mfg. Co.* v. *Convertible Top Replacement Co.,* 365 U.S. 336, 378, n. 6 (1961), Justice Harlan felt that the intent of Congress was unmistakable:

> It seems clear from the legislative history of the 1952 Act that Congress intended (1) to reaffirm the doctrine of contributory infringement . . . (2) to give that doctrine precedence against a claim of patent misuse as conceived in the Mercoid cases, at least where the misuse is said to inhere simply in assertion of patent rights.

This language of Justice Harlan was specifically approved by Justice Brennan in writing the majority opinion in the second *Aro* case, *Aro Mfg. Co.* v. *Convertible Top Replacement Co.,* 377 U.S. 476, 492 (1964).

We know of no conflicts with post 1952 Patent Act decisions of other Circuit Courts of Appeals as to the

scope of Sections 271(c) and (d); in fact, we find support besides that of the Fifth Circuit Court of Appeals from which this case arose.

Two decisions apposite to the present case are particularly illuminating: *Rohm & Haas Co.* v. *Roberts Chemicals, Inc., supra,* and *Sola Electric Co.* v. *General Electric Co.,* 146 F.Supp. 625 (N.D.Ill. 1956). The Fourth Circuit in *Roberts Chemicals* observed that the situations present in *Mercoid* had been "materially changed by the passage of the new patent statute of July 19, 1952." 245 F.2d at 699.

The district court in *Sola Electric,* like the lower court here, was squarely faced with the effect of Section 271(d) on the earlier *Mercoid* decisions. The patentee sold an unpatented *non-staple* component (ballasts for fluorescent lighting fixtures), and with the sale granted an "implied license" to use it in the patented system. No one was licensed under the patent except by operation of law when he purchased the unpatented component. Predictably, despite the newly-enacted Section 271(d), defendant, when sued for infringement, asserted patent misuse as a defense. These facts are congruent with the present case. The court in *Sola Electric* refused to sustain the defense of patent misuse, holding:

> Subparagraph (d) of Section 271 . . . certainly makes substantial changes in the law as announced in the Mercoid cases. . . . *The court holds, accordingly, that the said Act of 1952 makes proper and lawful that which under the doctrine of the Mercoid cases,* above cited, *would have been a misuse of the patent.* (Emphasis added.)

146 F.Supp. at 647-48

Also apposite is *Grinnell Corporation* v. *American Monorail Company,* 285 F.Supp. 219 (D.S.C. 1967), where Judge Hemphill found the sale of an unpatented loom cleaning machine for use in a patented process constituted contributory infringement within 271(c). However, District Judge Renfrew, in *Bio-Rad Laboratories, Inc.* v. *Becton, Dickinson & Co.,* Civil Action C. 78-0548-CBR, United States District Court for the Northern District of California, still adheres to the rather narrow view applied in *Mercoid* in spite of the clear language of 35 U.S.C. § 271(c) and (d). The technical subject matter in this case is more complex and involves multiple components. It does not involve a single, non-staple component (chemical) which is here in issue.

The application of 271(c) in *Biuro Projektow* v. *U.O.P., Inc.,* 203 U.S.P.Q. 175 (N.D.Ill. 1979), is not clear due to the substantially different fact pattern and rationale applied by the Judge in arriving at his decision. In any event it is safe to say that where the facts have been similar to those above and the interpretation of Section 271(c) and (d) was involved, both of the Circuit Courts of Appeals which have addressed this issue, and all except one of the District Courts throughout a number of different jurisdictions, have found that Section 271(c) and (d) favor Respondent's position.

The district court in the present case failed to appreciate the interrelationship of Section 100(b) and subsections (c) and (d) of Section 271;[52] the Court of Appeals did and reversed.

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[52] *See Rohm and Haas Co.* v. *Dawson Chemical Co.,* 191 U.S.P.Q. 691, 701, n. 7 (S.D. Tex. 1976).

35 U.S.C. § 271, paragraphs (c), (d)(1), and (d)(2), *do* specifically employ the term "contributory infringement" and thus interrelate; this term is not defined anywhere else in the Patent Act. Paragraph (c) specifically requires that the component be a non-staple, as is propanil. The definition of contributory infringement of paragraph (c) must necessarily carry over into paragraph (d). The Fourth Circuit Court of Appeals in *Roberts Chemicals* placed emphasis on this non-staple aspect when referring to contributory infringement, and stated that "the rule is limited to a material which is not a staple article or commodity of commerce." 245 F.2d at 699.

B. Legislative History Confirms That Respondent's Acts Are Sanctioned by Section 271: Section 271(d) Is Ancillary to Section 271(c) Which Is Clearly Directed to *Non-Staples*

The legislative history of Section 271 clearly indicates that paragraph (d) was intended to be ancillary to paragraph (c).[53] One of the principal draftsmen, during the Congressional hearings on the 1952 Patent Act, said:

> [T]hat to put any measure of contributory infringement into law you must, to that extent and that extent only, specifically make exceptions to the misuse doctrine, and that is the purpose of paragraph (d). *It goes with, supports and depends upon paragraph (c).*[54] (Emphasis added).

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[53] *See* note 39, *supra.*

[54] *1952 Patent Act Hearings* at 161-62 (Statement of Giles S. Rich).

He later specifically related paragraph (d) to paragraph (c):

> So attached to paragraph (c) we have a paragraph (d) that says that the recovery, the enforcement against contributory infringers, the holding out of the patent against contributory infringers, and granting them licenses, the use of it to protect the business and making money out of it, and getting your reward as a patentee, all of these things shall not be misuse, and then contributory infringement, which we have had all the time, would become effective again. . . .[55]

Section 271(d)(1) authorizes the Respondent to derive revenue from acts which, if performed by another without its consent, would constitute contributory infringement, and 271(d)(3) specifically allows the Respondent to bring suit to enforce its rights against contributory infringement. This is all Respondent has done. It has sold propanil, and it has brought this suit to enforce its patent rights. By operation of law, the buyer can use the propanil to carry out the patented use (an act which would constitute contributory infringement if performed by another). Section 271 (d) clearly states that these acts shall not cause the patent owner to be deemed guilty of misuse. All of Respondent'e actions fall within specifically sanctioned activities of the interrelated statutory provisions and therefore patent misuse is clearly absent.

C. Statements of Opponents of the Enactment of Section 271 Also Confirm

The Department of Justice, the very agency which has submitted an amicus brief in support of the Petitioners in this case, opposed enactment of Section 271 (d) precisely because it would expand the contributory infringement doctrine at the expense of the misuse defense.

[55] *Id.* at 173; *see* also note 38, *supra.*

In 1949 testimony of John Stedman, Chief of the Legislation and Clearance Section of the Antitrust Division, in referring to a section corresponding to present Section 271(d), stated that:

> Its effect, however, is to permit a patentee to sell . . . unpatented materials . . . for use with a process patented by him, and at the same time prohibit his competitors, by suit for infringement, from selling such unpatented materials in competition with him.
>
> In short, enactment . . . would enable the patentee to exercise control over the unpatented materials usable in his . . . patented process and oust from the market his competitor dealing in the same materials.[56]

Then in hearings in 1951, Wilbur L. Fugate, also testifying on behalf of the Antitrust Division of the Department of Justice, in objecting to Section 271 (d), stated:

> "As I interpret section (d) it says that if there is contributory infringement the patentee may recover even though there is misuse."[57]

In a letter of July 3, 1951 from Deputy Attorney-General Peyton Ford, the Department of Justice sub-

[56] Hearings on H.R. 3866 *Before Subcommittee No. 4 of House Committee on the Judiciary,* 81st Cong. 1st Session at 52 (1949).

[57] *1952 Patent Act Hearings* at 165.

sequently submitted an Extension of Testimony of Mr. Fugate in which it is stated that this section

> ". . . is particularly objectionable in the opinion of the Department since, although couched in general terms, its effect is to permit a patentee to sell unpatented parts for a patented device or combination and at the same time prohibit his competitors, by suit for contributory infringement, from selling such unpatented materials in competition with him. . . . The proponents of this section of the bill, accordingly, do not so much wish to clarify the law as to change it." [58]

As the Department of Justice recognized, the effect of Section 271 (d) is to make clear that the practice followed by the Respondent in this case is not a patent misuse and to overrule any contrary holding of the *Mercoid* cases. This is particularly clear in the issue before the Court involving a *non-staple* chemical and Sections 100(b), 271(c) and 271(d).

D. The Perspective: The Very Narrow Scope (Small Cost to the Public) of the Right to Exclude of the Process-Use Class of Patent for the Non-Staple Chemical, Which Is Unpatentable *per se*, Results in Big Public Benefit

In 1952, when Congress revised the patent laws in Title 35 U.S.C., and Sections 100(b) and 271 of that Title were enacted, there was a clear mandate to insure that the process-use class of inventions for non-staples receive the attributes, including the rights to exclude, of the other classes of inventions.[59] The scope of the right to exclude for the process-use class of inventions

[58] *Id.* at 207.

[59] See II.B. of this Brief, *supra*, for general discussion.

is limited to the *use* covered by the patent. In the case of a non-staple, it qualifies under Section 271(c); it ceases to qualify under Section 271(c) if it does not continue to be a non-staple. In that case, patent protection continues for the seventeen-year term of the patent, but without the benefit of Section 271(c). There is still another factor which has a diminishing effect on this term, i.e., the time required to secure governmental clearance.[60]

A process-use invention may evolve in two basic cases—in case (1), from a researcher working with a chemical known in the prior art or, in case (2), from a researcher who develops a new chemical.

In case (1), since the chemical was known in the prior art, it is not patentable as a composition *per se*, but if the chemical had no practical use before the invention was made (e.g., it was a laboratory curiosity) and it meets the "conditions" for patentability,[61] it can qualify for a process-use patent under 35 U.S.C. § 100 (b) and § 101. Further, if it is a *non-staple*, under 35 U.S.C. § 271(c)—since this is the first practical use—a market or line of commerce is *created* for the chemical.

In case (2) since the chemical was *not* known in the prior art, it may be able to meet the "conditions" for patentability as a composition *per se* under the composition of matter class of inventions; if so patentable, it would receive the relatively broad right (vis-à-vis that afforded the process-use class) to exclude provided by this class. If it is a new chemical but unpatentable as a composition *per se*, nevertheless, it too can qualify

[60] See I.B. of this Brief, *supra; 1975 EPA Report* at 104.

[61] See note 30, *supra*.

for a process-use invention under 35 U.S.C. § 100(b) and § 101 if it meets the "conditions" for patentability. Further, if it is a non-staple, it qualifies under Section 271(c).

Congress clearly recognizes, in Section 271(c), that in the case of a non-staple, the potential to "suppress competition" is non-existant since the first (non-staple) use *creates* a market or line of commerce for the chemical. In the case of a staple, there is already in existence (a) another use and (b) another market or line of commerce.

The distinction between staple and non-staple also squarely deals with the ambiguous use of the term "unpatented" in considering process-use inventions. It resolves the kaleidoscope effect of the word "unpatented"—the cases up to 1952 had referred rather imprecisely to the staples sought to be restricted as "unpatented". The mere use of the world "unpatented," in the absence of analysis of the specific character of the "unpatented" material, can lead to many misinterpretations of the law. In the issue before the Court, the "unpatented" material is a single, non-staple chemical, which is the "essence" of the Wilson Use Patent.

Congress, in Section 271(c), insures that the posture of non-staples is clear; it being clear, the incentive is enhanced to justify the time and expense of R&D and commercialization in order to develop uses for "unpatented" materials which have no use at present.[62] This incentive is premised on the prospect of receiving a process-use patent, a class of patent protection having relatively narrow scope and thus is small in "cost" to

[62] See Section I.B. of this Brief, *supra*.

the public compared with the high cost for the ongoing research, development and commercialization activity it promotes—the *big public benefit*.[63]

V. THE *PURITY* IN THE ISSUE: A SINGLE, NON-STAPLE PRODUCT, ONE USE, ONE USE-PATENT, AND THE PATENT OWNER WANTING A FAIR RETURN ONLY AS THE SOLE MAKER AND SELLER OF THE PRODUCT FOR THAT ONLY USE

The issue before the Court involves the interconnection of (1) a single, (2) non-staple chemical, (3) a single patent and (4) a refusal to license. It may be obscured by the improper use of connotations associated with classical terms used in the antitrust and misuse jurisprudence. This use victimizes those involved by suggesting an issue of misuse. Once the improper use of these terms is recognized, the untenability of the misuse issue is clear.

These connotations are associated with classical terms such as "unpatented", "tie-in" (there is only a single, non-staple product involved here, making a tie-in totally inapplicable) "suppression of competition" and "license" (here, a license to a buyer by operation of law; there is no express license, but rather a refusal to license). Any concerns with respect to the connotations associated with the terms "unpatented" and "suppression of competition" were obviated in the discussions in the immediately preceding section. The terms "tie-in" and "license" are now addressed.

[63] See Section I.B. of this Brief, *supra*, for general discussion.

A. The Single, Non-Staple Product (Chemical)

Propanil is the only product involved in the issue. Moreover, it is a single, non-staple chemical product. The only use for propanil, not patentable as a chemical composition *per se*, is the sole use provided by Respondent and protected by the Respondent's Wilson Use Patent. Respondent, rather than "suppressing competition" has in fact created a market and line of commerce for the non-staple propanil.

B. Obviation of Any Contention of "Tie-In"

A tie-in arrangement is "an agreement by a party to sell one product (the tying product) but only on the condition that the buyer also purchase a different (or tied) product."[64] Under the antitrust laws,[65] tie-in arrangements are illegal if the seller has market power (though not necessarily market dominance) in the tying product market,[66] and if competition is foreclosed in the tied product market.[67] The issue before the Court involves only one product, the herbicide propanil.

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[64] *Northern Pacific Ry.* v. *United States*, 356 U.S. 1, 5 (1958).

[65] Sherman Act, 15 U.S.C. § 1 (1964); Clayton Act § 3, 15 U.S.C. § 14 (1964).

[66] In *United States* v. *Lowe's Inc.*, 371 U.S. 38, 45 (1962), the Court indicated that:

> Even absent a showing of market dominance, the crucial economic power may be inferred from the tying product's *desirability to customers* or from *uniqueness of its attributes.* (emphasis added)

[67] The Court in *Fortner Enter. Inc.* v. *United States Steel Corp.*, 394 U.S. 495, 501 (1969) stated that:

> [T]he controlling consideration is simply whether a total amount of business, substantial enough in terms of dollar-volume so as not to be merely *de minimus*, is foreclosed to competitors by the tie. . . .

When a tie-in arrangement is declared illegal, it is because it is considered to be inherently anti-competitive and to serve "hardly any purpose beyond the suppression of competition."[68] In the issue before the Court, there is no "suppression of competition."[69]

Thus, because there is only one product, the three issues which must be resolved to show the illegality of a tie-in arrangement are absent from the issue before the Court: (1) whether two products are involved in the arrangement; (2) whether the seller has market power in the tying market; and (3) whether or not a not insubstantial amount of competition is foreclosed in the tied market. The latter two issues are reached only after a court makes the primary determination of product separability—whether the seller is actually selling two products while claiming to sell only one.

In *Morton Salt Co.* v. *G. S. Suppiger Co.*,[70] the Supreme Court recognized that the equitable doctrine of "patent misuse" precludes a patentee from enforcing a patent that has been the subject of improper license restrictions (here, because there is a refusal to license, license restrictions are necessarily absent) or other

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[68] *Standard Oil Co. of Cal.* v. *United States*, 337 U.S. 293, 305 (1949). *See also Northern Pacific Ry.* v. *United States*, 356 U.S. 1, 6 (1958).

[69] See discussion in Section IV.D. of this Brief, *supra.*

[70] 314 U.S. 488, 492-93 (1942). The Court held that a patentee could not enforce his patent against any infringer if he had used unlawful restrictions in his licenses with others unless and until such "misuse" was purged. Earlier, in *Motion Picture Patents Co.* v. *Universal Film Mfg. Co.*, 243 U.S. 502 (1917), the Court as held that it would not enforce an improper tying limitation imposed by a patentee.

improper exploitation (absent here because Respondent has conducted itself in consonance with the Wilson Use Patent grant).

In *Morton Salt,* the patent involved a machine for depositing a predetermined amount of salt into vegetables being canned on a common canning line, a notoriously steamy atmosphere in which to achieve accuracy of salt measurement. Salt tablets which were not affected by this atmosphere were supplied to the machine which put the desired number of tablets in the cans as they went by. Salt and salt tablets were old and available from many sources and the machine was quite indifferent as to any quality of the salt tablets involved, other than perhaps as to their size, a feature in no way affecting the inventive/claimed aspects of the patented machine. The patentee required licensees of the patented machine to use only salt sold by the patentee. Misuse was found. There were two products and "conditioning," that is the license was "required" or "coerced" to take the salt for use in the patented machine. As noted, Respondent sells only the one product, propanil.

Three decisions illustrate the absurdity of any contention of tie-in with respect to the sale of the single, non-staple product (propanil) in the issue before the Court. They point up that even when two products are involved, tie-in arrangements involving patents may be justified where they are unavoidable because of necessary legitimate business needs, and can be pro-competitive in effect. In *United States* v. *Jerrold Electronics Corp.*[71] Jerrold, a pioneer in the development of com-

[71] 187 F.Supp. 545 (E.D. Pa. 1960), *aff'd per curiam,* 365 U.S. 576 (1961).

munity television antenna systems, sold its systems on condition that the purchaser use Jerrold's repair and maintenance services. The trial judge concluded that the practice was reasonable at its inception on the ground, *inter alia,* that it "was instituted in the launching of a new business with a highly uncertain future." However, the time required to meet its special needs had expired and to that extent Jerrold was found to have violated Section 1 of the Sherman Act.[72]

In *Dehydrating Process Co.* v. *A. O. Smith Corp.*[73] the First Circuit approved an arrangement in which the manufacturer of a patented silo unloader would sell it only for installation in patented silos of its own manufacture. The practice was adopted after various purchasers of the unloader complained that they had unsuccessfully used it with silos manufactured by others.

Even in *Kugler* v. *AAMCO Automatic Transmissions, Inc.,*[74] where an *express* license was involved, the

[72] *Id.* at 557, 558.

[73] 292 F.2d 653 (1st Cir. 1961), *cert. denied,* 368 U.S. 931 (1961); *cf. Susser* v. *Carvel Corp.,* 206 F.Supp. 636 (S.D.N.Y. 1962), *aff'd,* 332 F.2d 505 (2d Cir. 1964), *cert. dismissed,* 381 U.S. 125 (1965) (practice of tying sales of unpatented ice cream mix and other products to the use of the Susser patent found not to violate § 3 of the Clayton Act); *Electric Pipe Lines, Inc.* v. *Fluid Systems, Inc.,* 231 F.2d 370, 372 (2d Cir. 1956) (in approving a patentee's refusal to supply plans and instructions for installation of a patented heating system unless the purchaser also bought the unpatented components from him, the court stated: "Where the owner of a combination patent designs the installation and guarantees its performance, it is not unreasonable use of the patent to insist that the components of the patented system be obtained from it.").

[74] 337 F.Supp. 872, 876 (D. Minn. 1971) *aff'd,* 460 F.2d 1214 (8th Cir. 1972).

court sustained a single product defense in connection with the alleged tying of advertising services to a franchise license, and declared: "Advertising was not tied to the purchase of the license; it was the essence of the liecnse." [75]

The Respondent is obviously only selling a single, non-staple product (propanil) and has not granted licenses to anyone, and, in fact, has refused to license. In this posture, Respondent in selling the non-staple propanil for its only use, the "essence" of its process-use invention, and refusing to license others.

C. Obviation of Any Contention That a "License" Exacted by Law for Buyer to Use a Single, Non-Staple Product Can Be the Basis for a "Tie"

Respondent is the holder of a process-use class of patent for a single, non-staple chemical. This patent, like all patents, has the attributes of personal property.[76] Respondent has refused to license, and has exercised its right to exclude infringers, i.e., the Petitioners.[77]

Respondent has not acted to create for itself any rights by private contract, i.e., it does not grant licenses. In so doing, it has decided to forego any consideration, monetary or otherwise, it might derive by this use of its patent property. It only sells non-staple propanil. The significance in the decision of Respondent not to use his patent property to create any rights by private contract has been described in a case perti-

[75] 337 F.Supp. at 876.

[76] See note 27, *supra*.

[77] For details *see* Section III of this Brief, *supra*.

nent on this point, *Motion Picture Patents Co.* v. *Universal Film Mfg. Co.*: [78]

> and from failure to distinguish between the rights which are given to the inventor by the patent law and which he may assert against all the world through an infringement proceeding, and rights which he may create for himself by private contract, which, however, are subject to the rules of general, as distinguished from those of the patent, law.

It is clear that Respondent is not receiving any consideration by way of private contract (the grant of a license) or from a second product ("tied-product"). It is equally clear that Respondent is receiving only one consideration, namely that from its sale of the non-staple propanil for use in the practice of the process of the Wilson Use Patent.

An explicit or express license is one granted by the patentee to derive a benefit (consideration) from his personal property, the patent, by a private contract. This arrangement must be carefully distinguished from the situation involving a license by operation of law. In this latter, the patentee—or in the instant case, the Respondent—when in the posture of a seller, is in actuality *estopped,* by operation of law, from asserting its patent right against one who buys the product protected by the patent—in this case propanil. While this estoppel is sometimes referred to as an "implied license," it is not a license in the classical sense. It is not granted by the seller,—but rather is *exacted from the seller* to estop the seller from asserting its patent rights. It is the law which exacts for the buyer an *im-*

[78] 243 U.S. 502, 514 (1917).

munity under the seller's patent. In reality, no "license" is awarded; the seller is merely estopped since it received consideration by the sale of propanil. In this way, the law forbids the extraction of additional restraints, based on the patent. Thus, the law precludes any tie-in on the part of the patent owner in this case.

The seller-patentee is also estopped by another doctrine of law, the doctrine of exhaustion of patent rights with respect to the sale of a material part of the invention. This is a second "estoppel", the exaction of an "implied license" to insure that the buyer can use or sell the item purchased from the patent owner with immunity from the patent.

The exhaustion principle has a long history dating back to *Adams* v. *Burke,* 17 Wall. 453 (1873), where Mr. Justice Miller stated that the patent owner "having in the act of sale received all the royalty or consideration which he claims for the use of his invention in that particular machine or instrument, it is open to the use of the purchaser without further restriction on account of the monopoly patentees." *Id.* at 456. This exhaustion principle applies equally to the sale of an item which is material to practicing the patent, although the item may be unpatented itself. More recently in *United States* v. *Univis Lens Co.,* 316 U.S. 241 (1942), Justice Stone has so stated in the following:

> An incident to the purchase of any article, whether patented or unpatented, is the right to use and sell it, and upon familiar principles the authorized sale of an article which is capable of use only in practicing the patent is a relinquishment of the patent monopoly with respect to the articles sold. 316 U.S. at 249.

In *Motion Picture,*[79] pertinent on this point, the Court also dealt with and affirmed the doctrine of exhaustion. *See also, Hobbie* v. *Jennison,* 149 U.S. 355 (1893) and *Strauss* v. *Victor Talking Machine Co.,* 243 U.S. 490 (1917).

Propanil, involved in the issue before the Court, is a non-staple chemical. In the case of a non-staple, the distinction between a "license" by operation of law, which is really an estoppel against suit by patentee, and explicit licensing, is of great significance. The "significance" is that there is not even the potential for a "tie-in" in the former (estoppel), although there may be such potential, depending upon the particular facts involved, in the latter (explicit licensing). In the former, the seller does not foreclose the buyer—rather, it is the seller who is foreclosed (estopped) by operation of law.

In conclusion, a "license" imposed or exacted by operation of law is not a license in the classical sense, i.e., one that by private contract creates consideration for the patent owner. It is an estoppel; it cannot, absent more, be the basis for a "tie-in" in the case of a sale by the patent owner of a single, non-staple chemical product which is itself the "essence" of the patent.

VI. IN SUMMARY: THERE IS NO MISUSE

Section 271, when read with Section 100(b), both sections first emerging in the 1952 Patent Act, adds significant dimensions to, and a clarification of, the patent laws.[80]

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[79] 243 U.S. 502, 516 (1917).

[80] *See* Section III of this Brief, *supra.*

Sections 100(b) and 271, when further interrelated with Section 154, clearly establish the right of Respondent to exclude infringers in consonance with the scope of the Wilson Use Patent. The Fourth Circuit Court of Appeals appreciated this interrelationship in *Rohm & Haas Company* v. *Roberts Chemicals, Inc.*[81] These sections are further interrelated with Sections 281 (right to remedy for infringement)[82] and 283 (right to injunctive relief).[83] It is demonstrably clear that the right to exclude infringers is real; however, Congress then provided Sections 271(b), (c), and (d)(3) to explicitly clarify patentee's rights of action (Section 281) and the right to injunctive relief (Section 283) to insure that this right is *real* and not a "*poor sham.*"[84]

The district court's position, then, that Respondent is guilty of misuse because it "seeks in this lawsuit to monopolize the sale of propanil by taking it from the "public domain",[85] is clearly untenable, and the decision of the district court was properly reversed by the Fifth Circuit Court of Appeals. There cannot be misuse by "one who merely does what he is authorized to do by statute".[86]

The Patent and Trademark Office granted the Wilson Use Patent to Respondent and Respondent has

[81] *See* note 47, *supra,* and the related text.

[82] *See* note 44, *supra.*

[83] *See* note 45, *supra.*

[84] *See* note 37, *supra.*

[85] *Rohm and Haas Co.* v. *Dawson Chemical Co.,* 191 U.S.P.Q. 691, 703 (S.D. Tex. 1976).

[86] *See* note 40, *supra.*

properly conducted itself within the scope of that patent and the relevant statutory provisions; Respondent is not "taking" anything—it is "giving." Respondent has given the rice farmer the option of using a new herbicide which had not been previously available to the farmer.

The mandate by the Congress is explicit on the status of the process-use class of invention for the non-staple in issue before the Court. The right to exclude, including the right to refuse to license, in the case of chemicals which are unpatentable as compositions *per se,* promotes innovation. The impact of innovation on our economic system is profound. It has been said that

> Advances in knowledge have been the biggest single factor in economic growth and productivity gains in the U.S. over the last four decades. . . . high technology, R&D intensive industries have made an especially strong contribution to the economy. . . . These industries have on the average increased output, productivity and employment several times as fast as low technology industries . . .[87]

This right to exclude insures the utilization of the non-staple as a resource in the effort to support the nation's innovation requirements, particularly in high technology fields, e.g., the pesticide industry.[88] It is narrow in scope, thus low in "cost" to the public, but big in the impact it makes on promoting the utilization of resources for research, development and commercialization to meet the Nation's needs.

[87] American Assoc. for Adv. of Science "Research and Development, AAS Report III, R&D in the Federal Budget: Fiscal Year 1979, R&D Industry and the Economy" prepared by W. H. Shapley and Don I. Phillips, Washington, D.C. 1978, p. 77-78.

[88] *See* Section I.C of this Brief, *supra.*

Congress knew full well that it was creating specific statutory exceptions to the doctrine of misuse when it enacted Section 271(d), and that it was providing patent owners operating within the narrow exceptions created by Sections 271(d)(1) and (d)(2) with the power to sue contributory infringers under Section 271(c) through the exception created by Section 271(d)(3).

If Congress had decided that public policy required that a patent owner offer licenses to contributory infringers before suit is brought, it could have easily done so, especially in view of the perceived impact of Sections 271(c) and (d) on the *Mercoid* cases. To the contrary, it did not do so.

CONCLUSION

The record fully supports the decision of the Court of Appeals holding that the actions of the Respondent are within the conduct authorized by the Patent Act of 1952 and constitute no misuse.

This Court should affirm.

Respectfully submitted,

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